

CHAPTER 4

**ROLE OF SMALL SCALE INDUSTRIES IN THE DEVELOPMENT OF
INDIAN ECONOMY AND FINANCIAL SCHEMES OF M.S.F.C. :**

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CHAPTER : 4

ROLE OF SMALL SCALE INDUSTRIES IN THE DEVELOPMENT OF INDIAN ECONOMY AND FINANCIAL SCHEMES OF M.S.F.C. :

4.1 INTRODUCTION :

This chapter highlights on the financial schemes rendered by the M.S.F.C., Kolhapur Branch. The discussion is made on the progress of SMALL SCALE UNITS in Kolhapur and role played by these industries in the development of industrial sector of Kolhapur. It is also discusses the main factor which are affecting the growth of these units, the progress of SSI Units and amount allotted by the Government in each Five Year Plan to this sector.

The financial schemes implemented by M.S.F.C. only for the development of SSI units and their implementation and the limitations of each scheme are considered.

4.2 WHY SMALL SCALE INDUSTRIES ?

The Development of Small Scale Sector has come to stay in India due to following reasons :

- (a) The small scale unit requires small capital layout. At the same time, it provides more employment, than large units. In India 90% of the total employment is accounted by this sector.
- (b) This sector does not require highly sophisticated

technology. It can also be useful in backward areas where people have yet to be trained to meet the challenge of sophisticated technology.

- (c) Small business enterprises releases the forces of competition and prevent the growth of monopolistic tendencies in the economy.

Small business enterprises play a pivotal role by providing :

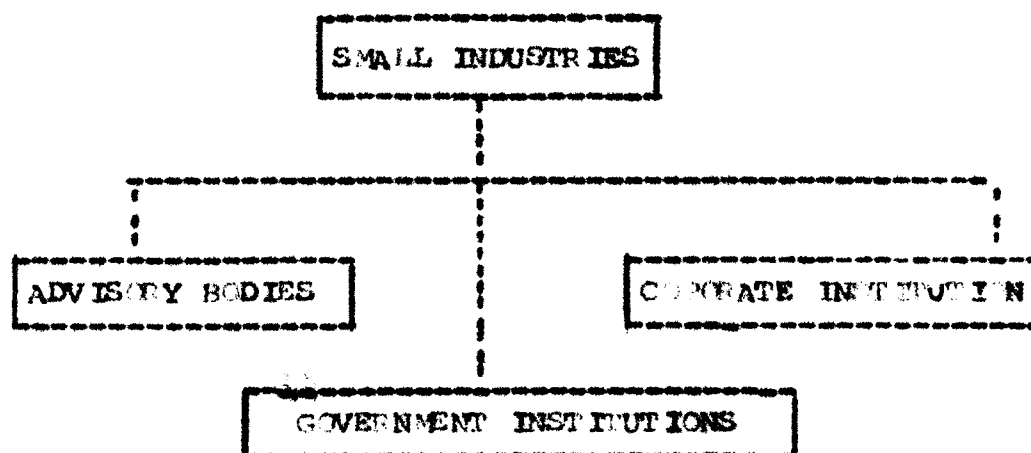
1. High employment opportunities at comparatively lower capital investment,
2. Scope for achieving regionally balanced economic growth,
3. Geographical diffusion of trade, industry & commerce.
4. Effective utilisation of local resources, skill & entrepreneurship.
5. Decentralisation of economic wealth and power,
6. This sector facilitate substantial foreign exchange.

4.3 INSTITUTIONAL ASSISTANCE TO SMALL SCALE INDUSTRIAL UNITS :

The success of Small Scale Units depends solely on the well established institutional set-up.

The Institutions aiding small scale units may be

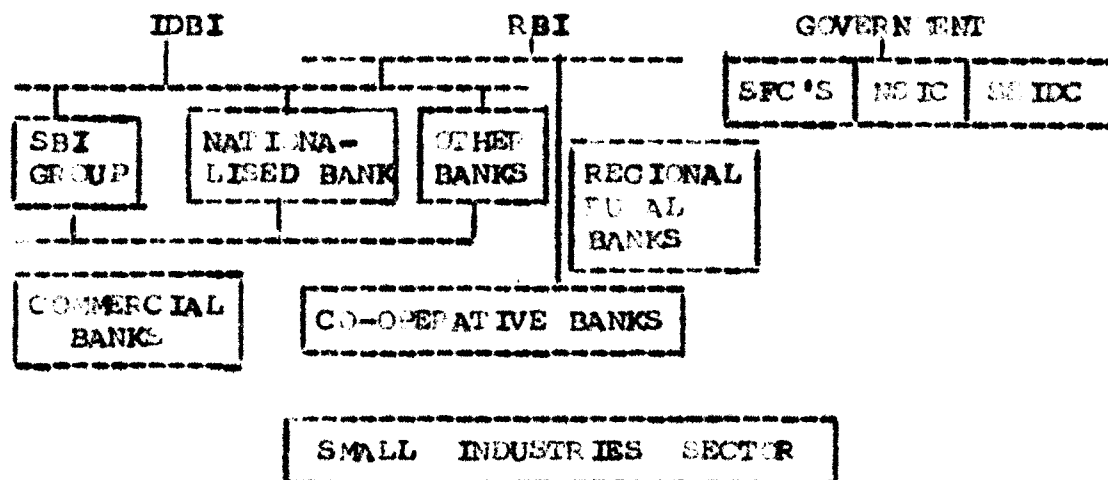
broadly classified into Three categories :



Institutional Finance :

Institutional finance for small scale industries is provided by commercial banks. The IDBI group, Nationalised Banks, Private Sector Banks and Development corporations. Which have been especially established to provide industrial finance.

Institutional frame work for the flow of financial assistance to the Small Scale Industries Sector :



4.4 FACTOR AFFECTING THE GROWTH OF SMALL SCALE UNITS

Generally the small scale units are developed or formed at the following requirement, which is quite important :

1. Raw material, 2. Land, 3. Labour 4. Finance.

Above all the items are quite important for the growth of an industry. Because raw material which is generally said previous stage of finished goods, so the storage and availability of the raw material is the most important.

Then land and labour, transportation for efficient work performance about manufacturing and selling. Then, come to the point that if we have all these facility, but at the same time if we have no financial ability, then all these facilities became dull because in the business, finance is the main aspect. Finance is the blood of any kind of Industrial Units.

Without adequate finance we can not take raw material (exception on credit, but it is not possible for the new concern) alternatively there is no land/machinery due to finance, no labour, we can not work only one step in the business.

"Finance is not only creator money in industry but it is soul of the Industrial unit".

So, generally these items are affecting on the growth of industry, but overall the finance is affecting more on the growth of business.

The main problem, we discussed here is financial problems of Small Scale Units.

Without finance SSI Units cannot proceed further, whole transaction 'finance' is indispensable for business transaction -

Finance is required for -

1. New Entrepreneurs,
2. Existing Industries,
3. For Innovation,
4. For complete with large scale Industries.

Small Scale Industrialists starts their firm at a initial necessary and required amount of capital. Large Scale Industries handle their financial problems easily due to credit facility. But the situation of Small Industrial Concerns is different. Because they have started their industrial unit with minimum amount of capital, production is limited. They want to develop minimum to maximum in every factor.

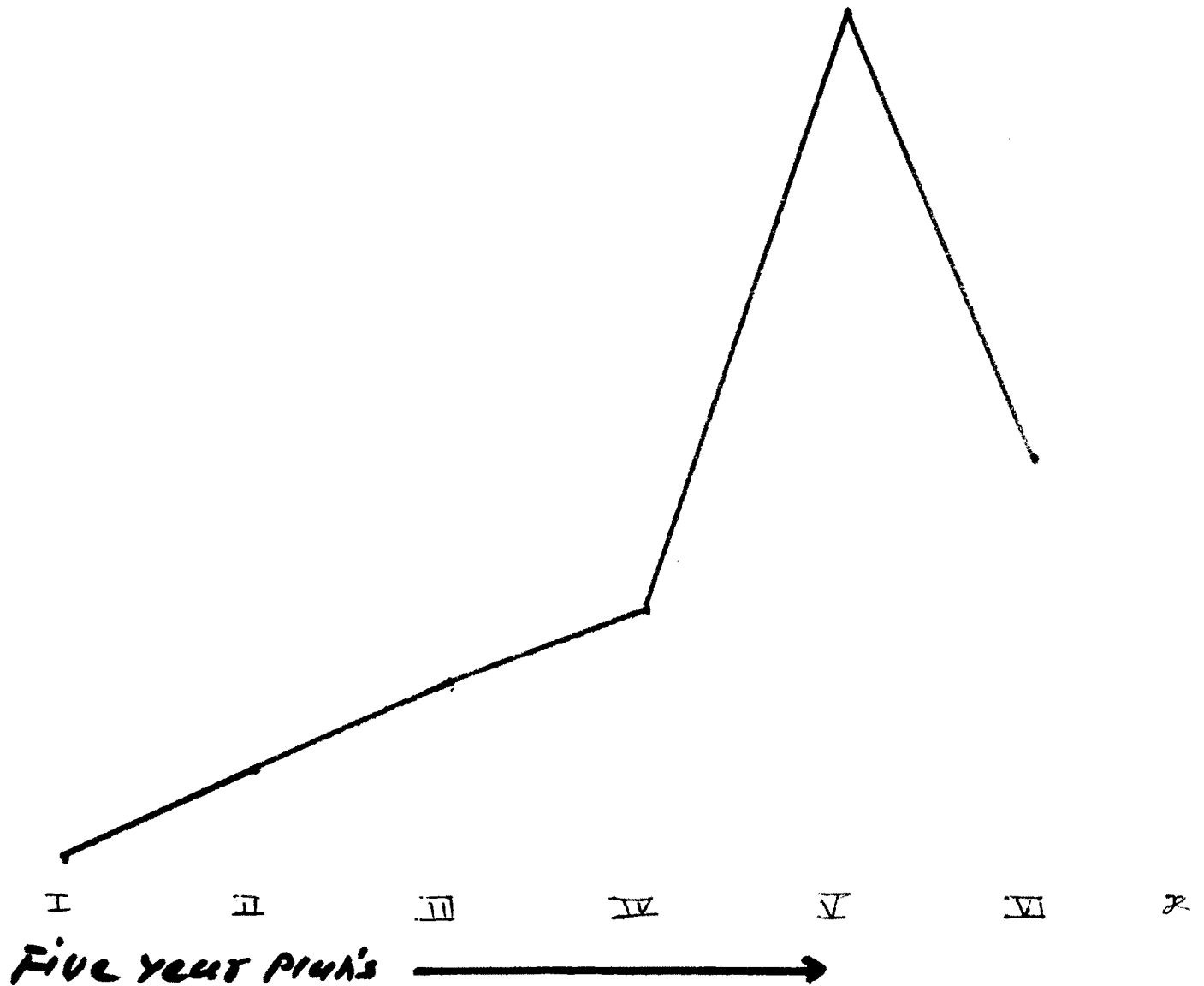
The Small Scale Units are indispensable in today's economy because these industries help to economic development in many ways. Such as create the employment opportunities provided by these industries are large enough compare with large scale units.

EXPENDITURE ALLOCATED TO 1ST UNITS IN EACH 5 YEAR PLAN

(Rs. in Crores)
SCALE

X AXIS = 4CM = 1 PLAN

Y AXIS = 2CM = 50 CRORES



4.5 PROGRESS OF SMALL SCALE INDUSTRIES IN INDIA :

Acceleration of economic growth so as to make the people free from want has become a great necessity in an undeveloped country like India.

If we see the progress of SSI Units in India then we can assure that there is a vast progress after 1945 (from IInd financial plan i.e. 1945 to 1950), the development of SSI Units may offer an untold opportunity of building up the decentralised sector of our economy, which will make a significant contribution to the progress of self sustained growth.

Considerable progress was made in SSI Units which combine the advantages of modern technology with increased rate of employment opportunities.

If we see towards the financial plans of government the Government is also showing his interest in small-scale sector. The figures are shown below :

First plan (expenditure) Rs. in crores	.. 5.20
Second plan (expenditure) Rs. in crores	.. 56.00
Third plan (expenditure) Rs. in crores	.. 83.90
Fourth plan (expenditure) Rs. in crores	..123.33
Fifth plan (expenditure) Rs. in crores	..350.00

Sixth plan : Sixth plan allocates a sum of Rs. 1780 crores for village and small industries, whereas actual ~~expenditure~~ estimated outlay worked out for 1980 to 1985 was Rs.1952 &

crores. Hence small scale industrial sector received about 1.8 per cent (1.8%) of the total plan outlay.

Seventh plan : (1985 to 1990) Objectives of the plan towards S.S.I. sectors :

1. to assist in the growth and wide spread dispersal of industries,
2. to increase the levels of earnings of artisans,
3. To sustain and create avenues of self-employment,
4. to ensure regular supply of goods and services through use of local skills and resources,
5. to develop entrepreneurship in combination with improved methods of production.

The 7th plan has made a provision of Rs. 2,752 crores for small scale industries which is not more than 1.5 per cent of the total plan out lay. The over all output at 1984-85 prices in the sector is targeted to increase from about Rs. 65,730 crores in 1987-88 to Rs. 100-100 crores by the terminal year 1989-90 of the 7th plan, registering at annual growth rate of 8.8 per cent. During the same period, employment coverage is estimated increase from 315 lakhs persons to 400 lakhs persons.

On the basis of above information we can conclude that government of India concentrating more and more on the growth of small scale units.

4.6 PROGRESS IN MAHARASHTRA

In Maharashtra, there are number of financial institutions who are interested to provide loan to the new entrepreneurs along with existing industries. M.S.F.C., SICOM, COMDC, Nationalised and commercial Banks and other financial institutions.

These institutions are supplying funds to the new promoter or existing industries of minimum rate of interest. M.S.F.C. and SICOM provides facility of subsidy on interest. Also in the first two years, there is no instalments for the repayment of loan. These facilities causes to rapid growth of small scale sector in Maharashtra.

In the older days, the small scale industries are situated in rural areas due to unavailability of infrastructural facilities such as land, building, raw material, plant and machinery etc.

To-day, Maharashtra Industrial Development corporation, open its branches in all districts of Maharashtra to provide these infrastructural facilities and to guide small scale entrepreneurs. This corporation reserves the area only for establishment of SSI units in each district. These areas are located in urban areas as well as rural areas.

To promote and develop the small scale sector the Government also granted regarding the selling of their

products. Such as Aluminium project in the Patnagiri district.

To conclude, Maharashtra State has very bright future to develop the industrial project not only in small scale sector, but also large scale sector. Small scale units contributes 55% in the economy which is far better than large scale sector.

4.7 ROLE PLAYED BY KOLHAPUR IN PROMOTING SMALL SCALE UNITS :

When we think about Kolhapur, that it is mostly known for oil engines, chapples and sugar factories. There are number of industries manufacturing oil engines, which was export oriented project.

To day there are number of government concerns of different kinds established in this city. Such as MIDC, NMDC, MSFC, SICOM, DIC, SISI (Servicing). All India Handicraft Board and Banking companies.

Due to availability of services rendered by above concerns small scale sector is developing rapidly in recent years. Locality like Shiroli MIDC, Gokul shirgaon MIDC, provide plots to the entrepreneurs, MSFC, NMDC provides financial assistance for long period at lower rate of interest. District industries centre guides to the new entrepreneurs in every respect without any charge.

These small scale industries generate round about 40% of employment to the people of Kolhapur.

4.8 M.S.F.C. - KOLHAPUR BRANCH :

The MSFC operates his working from its Head Office in Bombay and the registered office situated all over Maharashtra. The Bombay office consists of top management including the Chairman, Board of Directors and Managing Director and Managers of Deputy Managers of various sections. The Registered Office at Kolhapur, comprises of the Regional Manager, Deputy Reg. Manager, Assistant Managers and Jr. Officers, assisted by the Junior officers and clerical staff. The office is divided in to five sections given as under :

- (i) Technical
- (ii) Project Appraisal
- (iii) Legal,
- (iv) Post sanction, and
- (v) Accounts Section.

- Working of each section of Kolhapur Regional Office :

The following are some of the important sections and cells of corporation making co-ordinated efforts for achieving the targets of M.S.F.C.

1) Appraisal cell - This section is concerned with the assessment of received applications. The cell exclusively

deals with these applications for appraisal of the proposals.

II) Technical cell : This cell consists of technical experts committee, including one Assistant Manager and two Jr. Officers followed by clerical assistants. The purpose of this cell is to scrutinise the applications received are technically feasible or not. This is done by verifying the following :

1. Licenses, permits, certificates etc.
2. land and location,
3. Building,
4. Raw material,
5. Machinery,
6. Manufacturing process,
7. Technical feasibility
8. Product,
9. Marketability.

After the project is analysed on the basis of the above information, necessary suggestions, and improvements are made. Then the project is forwarded to Project Appraisal Section'.

III) Legal cell - This section consists of an Assistant Manager and four Jr. Officers, looks after the legal matters of the corporation to reduce the high expenses and delays in the legal matters such as in recovery of loan, overdues etc.

IV) Post sanction section : This section looks after the matters that arise after the sanction of loan. It ensures the working of industrial unit and its operational details by a close watch and regular visits followed by reports. Any variation in the assets, ownership is taken into consideration. Section also considers the repayment schedule of the borrower and payment of interest is made according to the loan scheme. Recovery notices are sent when borrower fails to make repayment of instalments and interest. This section consists of four Jr. officers under each of the above managers. This is very essential due to lot of court matters. So obviously, there is a close relation between legal sections and post sanction section.

V) Recovery cell - Recovery section of the corporation looks after the recovery of loan from industrial units, according to schedule laid down by the corporation to the borrowers for the repayment of loan.

VI) Accounts section - This section consists of an Assistant Manager alongwith two Jr. Officers and five assistants. Section keep the account of interest accumulated on the loan. It is a complicated and lengthy as well as time consuming procedure where defaulters some time creates various problems. So there is a close relation between legal section and accounts department.

VII) Statistics and economist section : A statistic

and an economist are the constituents of this section. Statistician collect all the statistical information of the corporations activities, while economist collect the information regarding the economic aspects.

4.9 FINANCIAL SCHEMES OF MAHARASHTRA STATE FINANCIAL CORPORATION :

Introductory :

Today many of the developing countries have been emphasising the effective and full utilisation of available human resources. The small scale industries do form the basis of maximum adoption of labour intensive, reduction techniques due to their peculiar characteristic of low capital investment.

The Maharashtra State Financial corporation with its nine regional offices and twenty three branch offices spread over the entire Maharashtra State including Goa and Union territories of Daman and Diu, has been operating various financial schemes. The corporation is doing the all activities keeping in view the main objective, to develop the small scale sector and cottage industries, through finance by adopting various types of financial schemes, suitable to the needs of these sectors and protect them from large industrial houses by providing adequate finance, technical know-how, and other facilities. At present, several schemes with different features have been implemented by the Corporation.

Type of Industries eligible for assistance :

In terms of SFC's act, the concerns which are engaged in or to be engaged in manufacture, the preservation, processing, mining, hotel industry, transport of passengers of goods by road or water, maintenance, repair, testing or servicing of machinery or any description of vehicles or vessels, assembling, re-airing or packing any article with the aid of machinery and power are eligible for financial assistance from the corporation. Development of mines, development of any process or product where research is undertaken, are also eligible for assistance from the corporation. Industrial concerns whose constitution is proprietary, partnership, Hindu undivided family, private or public limited company, registered co-operative societies are eligible to get financial assistance from the corporation.

Financial Schemes :

Finance is the life blood of any business. Production and distribution of goods and services are the main functions of business. Adequate financial availability is the back bone of above functions. The corporation derived a number of financing schemes which are dealt with in the following paragraphs. The main source of information is the pamphlets, booklets and brochures provided by the corporation regarding the schemes.

I) GENERAL LOAN SCHEME :

Under the provisions of State Financial Corporation Act 1951, the scheme can finance all industrial concerns. The maximum amount of loan available under this scheme is -

- a) For private/public limited companies Rs.60 lakhs
- b) For Registered co-operative societies Rs.60 lakhs
- c) For proprietary/partnership concerns Rs.30 lakhs

These loans are granted normally by maintaining security margin (fixed assets coverage) as under :

- i) With investment in Fixed Assets upto Rs. 30 lakhs
- 25 %
- ii) With investment in Fixed assets upto/Rs. 35 lakhs
above
- 30%
- iii) With joint participation with other financial institutions, viz. SIDBI, SIDC of Goa, ICICI, IFCI etc. ... as mutually agreed.

The loans under this scheme are to be repaid within eight to ten years including moratorium. Moratorium is available for one to two years only for principal amount. The rate of interest charged by the corporation before refinance to small scale units and medium scale units is 13 1/2 per cent and 14 1/2 per cent respectively.

After refinancing the rate of interests are :

- A) Small scale units : a) 12 1/2 per cent in backward areas

- b) 13 1/2 percent in non-backward areas.
- B) Medium scale units
 - a) 12 1/2 percent in backward areas.
 - b) 14 1/2 percent in non-backward areas.

The scheme states that the total project cost must not exceed Rs. 3 crores and the paid up capital & the resources of the borrower should not exceed Rs. 1 crore. The principal instalments are payable half yearly and interest quarterly.

II) a) Technicians Assistance Scheme :

Under this scheme the Degree of Diploma holders from therecognised institutions with minimum of 3 years experience are provided assistance to set-up their own industrial units.

The scheme provided financial assistance upto Rs. 15 lakhs for Partnership/Proprietary concerns and Rs.30 lakhs for Private/Public limited companies for which the borrower/s is/are supposed to arrange for 15 per cent margin.

The age limit for borrower is set at 40 years., which can be related upto 45 years in deserving cases. The rate of interest under this scheme is 12 1/2 per cent in backward areas while 13 1/2 per cent in non-backward areas before refinance. Afterrefinance the same rates of interest are followed both in backward as well as non-

backward areas. The borrower/s has to repay the loan within 8 1/2 years including moratorium. The moratorium for interest is 18 months while that for principle is 2 years.

b) Young Technician Assistance Scheme :

Under this scheme, loans upto Rs. 2 lakhs are given to young technicians, particularing those who are ITI trained and have 3 years experience. The borrower has to bring in 15 per cent margin money on his part.

The loan has to be repayable within 8 1/2 years including moratorium for interest 12 months and for principle 3 years.

The rate of interest is 12 1/2 per cent in backward areas and 13 1/2 per cent in non-backward areas before refinance. The rate of interest are same after the refinance both in backward and as well as non-backward areas.

The borrower/s should be within the age group of 21 to 35 years are eligible for getting the loan. The deserving cases are offered seed capital assistance.

III) Scheme for Technocrats :

Technocrats and new entrepreneurs may get preferential treatment of reduced margin on merits of individual case. Under this scheme, financial assistance upto Rs. 5 lakhs is granted on 35 per cent margin to

the entrepreneurs for purchase of plant and machinery. Loans are secured by hypothecation of the machinery/equipment and personal guarantees of two persons of sound means.

The repayment period is upto 6 years with initial moratorium of one year for repayment of principle and 6 months for repayment of interest.

IV Equipment Finance Scheme :

Under the scheme the corporation grant financial assistance exclusively for purchase of plant and machinery and equipments. The salient features of the scheme are:

- a) Any unit is eligible.
- b) The unit should be well established small/medium scale unit in operation atleast for a period of 4 years, earning profits for past 2 years, declaring dividend (wherever applicable) and regular in paying the dues of corporation and bank.
- c) Promoters contribution is to be maintained at 20 per cent of the project cost irrespective of location of the unit.
- d) The rate of interest is 15 per cent per annum.
- e) The loans are to be repaid within a shorter period of say 2-5 years inclusive of moratorium of 6-12 months.

V. Scheme of Assistance for Medical Practitioners :

Under this scheme, the corporation grants financial

assistance upto Rs. 5 lakhs to Doctors/Medical Practitioners, Dentists and small loans to graduates of other disciplines like Ayurvedic, Homeopathy for purchase of electro medical equipments.

The minimum margin is 17 1/2 percent

The rate of interest is 13 1/2 per cent p.a.

The loan is to be repaid within 5 to 8 years with an initial moratorium of 2 years for principle and 6 months for repayment of interest. Loans are not given for acquisition of premises.

The age limit for getting the assistance is below 40 years along with minimum three years experience. However, Doctors practising within the Municipal limits of Bombay, Pune and Thane are not eligible for financial assistance under the scheme.

VI. SCHEME OF FINANCIAL ASSISTANCE TO SMALL HOSPITALS & NURSING HOMES :

With a view to make the advanced medical facilities available, especially in small town places M.S.F.C. has introduced a new scheme for financial assistance to Hospitals and Nursing Homes.

Eligibility :

1. Hospitals/Nursing homes which proposes to have :
 - (a) modern facilities for diagnosis and treatment of indoor and outdoor patients.

(b) Expert services of at least one post graduate doctor with qualifications of M.D./M.S. on full time basis.

2. All clearances from Municipal/Government authorities should be available in respect of the proposed location of the Hospital/Nursing home.

3. Promoters should be agreeable to provide medical assistance at concessional rates to patients from Low Income group - at least 10% indoor and 20% outdoor patients.

4. Existing hospitals/Nursing homes are also eligible for financial assistance for expansion, modernisation provided the total number of beds remain less than so after implementation of the scheme.

The Hospitals/Nursing homes could be promoted as public limited companies, private limited companies, partnership concerns, proprietary concerns or trusts.

Maximum assistance available :

Rs. 60 lakhs for public/private limited companies

Rs. 30 lakhs for proprietary/partnership concerns and trusts.

A margin of 25-30 percent is retained against the fixed assets created out of the term loan.

Rate of interest :

	- Before - availment of refinance	After avail- ment of refinance
a) Developed Area	14.5 %	14 %
b) Backward area	14.5 %	12.5%

A moratorium upto maximum of 2 years for repayment of principal instalment will be available on case to case basis. The total repayment period will not normally exceed 8 years including moratorium.

VII. DEVELOPMENT FINANCE SCHEME :

This scheme provides financial assistance to the entrepreneurs for development of prototypes and/or new processes by the proposed or existing units. The maximum assistance upto Rs. 1 lakh for proposed units and also to the existing units where development work is yet to be carried out. And Rs. 2 lakhs, in case of existing units where development work is already carried out.

The repayment period ranges from 6 to 10 years, with moratorium included in it of 3 to 5 years for both principal and interest. The normal interest rates are applicable both before and after refinance. The objective behind this scheme is to encourage Research and Development.

VIII. SCHEME FOR MODERNISATION :

The corporation has devised a special scheme for providing financial assistance to the existing units for modernisation by adopting upgraded technology for improved productivity both in quality and quantity and for higher profitability. The scheme gives priority to

import substitute and export oriented industrial activities. Following activities are covered under the schemes

- a) Upgradation of process, technology & product
- b) Export orientation
- c) Import substitution,
- d) Energy saving,
- e) Anti-pollution measures,
- f) Improvement in capacity utilisation within the existing capacity through increase in productivity.

The amount of assistance will be need based, so, there is no minimum or maximum limits to the loan amount, However, the loan amount will be within the overall loan limits.

There is no fixed norm for security and margin. The rate of interest for loan was 11.5 percent. Re-payment period is fixed on the basis of repaying capacity of the borrower. The moratorium is for one to two years.

IX) SCHEME FOR EX-SERVICEMEN :

The corporation has reintroduced the scheme for ex-servicemen to provide financial support for their re-settlement by providing them self employment opportunities after retiring from Armed forces. The scheme is governed by Directorate General of Re-settlement DG (R), Ministry of Defence, Government of India.

Ex-servicemen as defined by Government of India,

Ministry of Defence and sponsored by Directorate General of Re-settlement are eligible for financial assistance & includes widows of ex-servicemen and disabled service personnel also. Promoter has to contribute minimum 10 per cent of the project cost.

The project cost shall not exceed Rs. 12 lakhs. Seed capital assistance may be considered upto 15 per cent of the project cost under this scheme. Seed Capital assistance is available maximum upto Rs. 1.80 lakhs on soft terms.

The rate of interest for term loan 12 1/2 per cent p.a. for backward area and 13 1/2 p.a. in other areas for seed capital loan 1 percent p.a. The maximum repayment period for soft loan or seed capital is 10 years with initial moratorium of 5 years. No security is required for soft loan assistance. For normal term loan, fixed assets will be considered as security.

X. SEED CAPITAL ASSISTANCE :

The seed capital assistance is provided to the new entrepreneurs if they are not in a position to raise adequate promoters contribution. Small scale industrial unit transforming into medium scale industrial units are also eligible for the seed capital assistance. The maximum limit on seed capital assistance is Rs. 2 lakhs.

Since the Government of Maharashtra, Goa, Daman and

Diu, and the Industrial Development Bank of India jointly arrange for the promoters contribution, the borrower is left free to arrange for the margin to the level of his ability. There is no fixed percentage for margin is set.

The moratorium of 3 years for interest and 5 years for principal is allowed. The assistance is charged with 7 per cent as a service charge both before refinance and after refinance.

The main aim behind this scheme is to fill up the gap between the expected level of promoters contribution and the actual contribution the promoter is able to bring in on his own.

XI. TRANSPORT LOAN SCHEME :

Drivers national permit holder having driving licence with 3 years experience are eligible for the assistance under this scheme. Maximum loan limit depends upon the cost of chassis and body building expenditure.

The margin requirements are :

(a) Single vehicle operator	..	30 %
(b) Person from economically weaker sections	..	25 %
(c) Ex-servicemen, SC/ST	..	15 %
(d) National permit holder	..	15 %

The borrowers have to repay their loans within five years including moratorium. The rate of interest before

refinance under the scheme is 15 1/2 per cent and after refinance it is 12 1/2 per cent.

XII HOTEL FINANCE :

Persons having experience in Hotel industry are eligible to get the assistance from corporation. Partnership/proprietary concerns can avail themselves of loan upto Rs. 15 lakhs while private/public limited companies can be assisted to the maximum limit of Rs. 30 lakhs.

The borrowers are required to arrange for 40 percent margin for fixed assets such as building and super 50 percent margin on furniture/fixtures and equipments.

The repayment period including moratorium is 8 to 10 years with 1 to 2 years moratorium on principal only. The rate of interest is 14 1/2 per cent before refinance and after refinance it was (i) 12 1/2 per cent in backward areas, and (ii) 14 per cent in non-backward areas.

XIII ASSISTANCE SCHEME FOR SC/ST ENTREPRENEURS

The entrepreneurs belong to SC/ST category declared by the government of India are eligible for assistance from corporation. Borrower should be S.S.C. or Diploma holder having 2 years practical experience in industrial activities. The age limit under this scheme for borrower is 35 years. Maximum loan upto Rs. 7 lakhs is provided under this scheme with 5 per cent to 10 per cent margin

can be made.

The repayment period of loan is 8 1/2 years including moratorium of one year for interest and two years for principal. The rate of interest is 13 1/2 per cent p.a. before refinance and 12 1/2 per cent p.a. in backward areas and 13 1/2 per cent p.a. in other cases.

Above scheme is formulated as a part of the 20 point programme of the Government of India.

XIV EDUCATED UNEMPLOYED SCHEME :

The borrower should be SSC/ITI trained, unemployed and should have registered his name with the District Employment exchange and within the age group of 18 to 40 years.

The maximum assistance upto Rs. 50,000 is considered on 5 per cent margin in backward areas and 10 percent margin in non-backward areas. The repayment period is 8 1/2 years including moratorium of one to two years.

The rate of interest before refinance in Maharashtra is 6 per cent p.a. In Goa, Daman and Diu, after refinance the interest @ 8 per cent is charged. The main objective behind such scheme is to generate self-employment.

XV COMPOSITE LOAN SCHEME :

with a view to create opportunities for self emp-

loyment under this scheme. The assistance is granted to Artisans, Craftsman, Balutedars and for equipments as well as for working capital in rural areas with population upto 5 lakhs. Loan is available upto Rs. 50,000 under this scheme. Promoters margin is 5 per cent in backward and 10 per cent in other areas.

The loan is repayable within 8 to 10 years with moratorium of 12 to 18 month both for interest and for principal. The rate of interest is @ 6 per cent p.a. before and also after refinance.

XVI BRIDGE LOAN OUT OF MSFC SANCTIONED LOAN LIMIT

Pending legal and /or other compliances, bridge loans are sanctioned for the fixed assets created. The bridge loans are secured against hypothecation of Machinery and/or against bank guarantee and DICGC guarantee. (Deposit insurance and credit guarantee corporation).

Availment of bridge loan will be at the option of the borrowers. In the case of failure to comply with legal and other compliances within reasonable time, the entire advance falls due for payment.

The maximum period of 6 months is allowed for the repayment of loan. The rate of interest is 2 per cent.

XVII TERM LOAN IN LIEU OF CENTRAL SUBSIDY :

This scheme enables entrepreneur to get short term loan upto Rs. 1 lakh against subsidies from Central Govt.

for which he is eligible. These loans are interest free for first six months in case of small scale industrial units. This is a temporary loan and is granted only to those units financed by the corporation for the first time.

4.10 IMPLEMENTATION OF VARIOUS SCHEMES BY M.S.F.C.,

KOLHAPUR BRANCH :

The M.S.F.C. Kolhapur branch started functioning in the year 1970, as a separate regional office covering three districts viz. Kolhapur, Sangli and Satara.

Since 1970 onward this Regional Branch has made efforts to implement various types of schemes to assist and promote the new and existing small entrepreneurs.

The following details are the results about the state of affairs of the corporation while implementing the financial schemes along with the problems faced by the corporation branch of Kolhapur.

Although the corporation has formulated as many as 17 schemes of financial assistance, but all of them can not be implemented by the Kolhapur branch e.g. 'Hotel financing' etc.

And, also schemes for financial assistance to cottage and village industries based on local natural resources are applicable to the areas where such resources

are abundant. Therefore, the very nature of some schemes imposes limitations on their implementation by the corporation, while some other factors restricting the implementation of the schemes which are stated below:

1. While implementing any scheme the applicant may not provide required information in given time.

Though it is provided or submitted in given time, the information is some times wrong or inadequate and thus it acts as constraints in the implementation of scheme.

2. Some times the applicant approaches the corporation with unduly ambitious proposals. The corporation suggests to make changes in the original proposal, the applicant avoided to make any type of change. Such rigidity on the part of applicants works as barrier upon the implementation.

3. The product for which the applicant seeks finance, have low marketability, under such circumstances, corporation avoid's to finance under that particular scheme.

4. Some times after sanction of the proposal, the borrowers suggest some changes or verifications in the original proposal, such as requirement of plant, machinery etc. This may our the main objective of the scheme.

5. Some schemes requires special skills and experience

on the part of borrower availing of finance from the corporation. Some times unexperienced and unqualified persons approaches to the corporation with a proposal. In this type of cases, corporation can not grant assistance to such applicants.

Thus, the above mentioned facts may assist the applicant to know the problems faces by the corporation while implementation of various schemes or financial assistance.

Mostly, the implementation is difficult due to failure in the completion of the required information and documents and terms and conditions laid down by the Corporation.

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